

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DLOS-06 IO-14 PA-04

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R 020820Z MAR 74

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 1593
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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SUBJECT: INDONESIAN OIL EARNINGS

REF : JAKARTA 1420

1. SUMMARY: ON BASIS RECENT OIL PRICE INCREASE AND SEVERAL OTHER REVISIONS PREVIOUS CALCULATIONS FOR GOI FY 1974/75 BALANCE OF PAYMENTS, IT CURRENTLY APPEARS NET FOREIGN EXCHANGE EARNINGS OIL SECTOR WILL EQUAL \$3.1 BILLION, POTENTIAL INCREASE IN NET FOREIGN EXCHANGE RESERVES IS \$1.5 BILLION, AND REVISED ESTIMATE CURRENTLY UNALLOCATED GOI BUDGETARY SURPLUS IS \$1.8 BILLION. END SUMMARY

2. THIS MESSAGE SERVES TO UPDATE PREVIOUS REPORTING ON INDONESIA'S OIL EARNINGS AND RELATED PROJECTIONS FOR THE BALANCE OF PAYMENTS AND GOI BUDGETARY REVENUES FOR GOI FY 1974/75. REVISIONS REFLECT (1) RECENT INCREASE IN PRICE OF OIL TO \$11.70 FROM \$10.80/BARREL; (2) OUR CURRENT UNDERSTANDING GOI WILL
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PERMIT CONTRACTORS UNDER PRODUCTION SHARING CONTRACTS TO DEDUCT

COSTS UP TO 40 PCT FULL SALES PRICE RATHER THAN 40 PCT OF FIRST \$5/BARREL EARNINGS; AND (3) UPWARD REVISION IN PROJECTED COST RICE IMPORTS.

3. WITH GROSS OIL PRODUCTION ESTIMATED AT 548 MILLION BARRELS FOR FY 74/75 AND PRICE AT \$11.70/BARREL, CRUDE OIL PRODUCTION VALUE EQUALS \$6.4 BILLION. (NOTE PRODUCTION FIGURE USED IS IBRD NOVEMBER ESTIMATE. MORE RECENT ESTIMATES RANGE BETWEEN 529 AND 570 MILLION BARRELS.) NET FOREIGN EXCHANGE EARNINGS OIL SECTOR EQUAL \$3.1 BILLION--UP \$100 MILLION FROM OUR PREVIOUS ESTIMATE. THIS LESS \$200 MILLION INCREASE IN ESTIMATED COST RICE IMPORTS RESULTS IN ESTIMATED INCREASE NET FOREIGN EXCHANGE RESERVES \$1.5 BILLION DURING 1974/75--DOWN \$100 MILLION FROM PREVIOUS ESTIMATE. GOI TAX REVENUES FROM OIL SECTOR ESTIMATED AT \$3.6 BILLION. CURRENTLY UNALLOCATED BUDGETARY SURPLUS PROJECTED AT \$1.8 BILLION--DOWN \$160 MILLION FROM OUR PREVIOUS ESTIMATE.

4. WE WILL BE SEEKING VERIFY SEVERAL DETAILS ABOVE OIL SECTOR CALCULATIONS WITH GOI OFFICIALS NEXT FEW DAYS. WILL INFORM IF ANY CHANGES ABOVE ESTIMATES NECESSARY.
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